

BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Commission, on) Application No. NG-0030/
its own motion, seeking to conduct) PI-98
an investigation of alternative rate)
design for commercial and industrial)
ratepayers.) ORDER OPENING DOCKET
)
)
) Entered: June 21, 2005

BY THE COMMISSION:

O P I N I O N A N D F I N D I N G S

The Commission, on its own motion, opens this docket to investigate alternative rate design options for certain commercial and industrial ratepayers.

The State Natural Gas Regulation Act, Neb. Rev. Stat. §§ 66-1801 et seq. (2003 Reissue) (the Act), created two categories of customers, jurisdictional and high-volume. "High-volume ratepayers" are defined as a ratepayer whose average daily natural gas consumption equals or exceeds 500 Therms per day. Neb. Rev. Stat. § 66-1802(7). These high-volume ratepayers negotiate directly with jurisdictional utilities for their natural gas service.

Prior to the passage of the Act, certain ratepayers (Waiver Customers) had been considered high-volume ratepayers.¹ However, due to the new consumption threshold set forth in the Act, these particular ratepayers are no longer considered to be "high-volume". Subsequently, the Nebraska Legislature enacted LB499, which permitted the Commission to waive the definition of "high-volume ratepayer" for these specific ratepayers until June 1, 2007. On April 27, 2004, the Commission granted a waiver of the definition of "high-volume ratepayer" to the Waiver Customers.

Although the Waiver Customers have negotiated interruptible capacity, their service is not truly interruptible due to the lack of electronic flow controls. Evidence obtained in Docket No. NG-0023.1 indicates that in order to make the Waiver

¹ See Commission Order dated April 27, 2004, in Docket No. NG-0022. These customers include: Baldwin Filters-Gothenburg, Bethphage Mission (Mosaic), Cabela's, Christian Homes Inc., Dinklage Feed Yards - Alliance, Ideal Linen Supply, IMAC, IPSCO Tubulars Inc., Krone Digital, Nebraska Aluminum Casting, Orthman Manufacturing, Panhandle Feeders, and the Youth Rehabilitation & Treatment Center - Geneva. (Waiver Customers) Since entry of the waiver, Nebraska Aluminum Casting's natural gas consumption has increased to a level, which now fits within the definition of "high-volume ratepayers".

Customers truly interruptible, flow control equipment would have to be installed at each customer site at a cost of approximately \$38,000 each.

Pursuant to Neb. Rev. Stat. § 66-1825(3), "The Commission, in the exercise of its power and duty to determine just and reasonable rates for natural gas public utilities, shall give due consideration to the public need for adequate, efficient and reasonable natural gas service and to the need of the jurisdictional utility for revenue sufficient to enable it to meet the cost of furnishing the service...."

Furthermore, the Commission possesses some flexibility with respect to natural gas rates in that it may

authorize consistent with general regulatory principles, including, but not limited to (1) banded rates with a minimum and maximum rate that allows the jurisdictional utility to offer ratepayers rates within the rate band for the purpose of attracting additional natural gas service demand or to retain such demand, (2) mechanisms for the determination of rates by negotiation, and (3) customer choice and other programs to be offered by a natural gas public utility to unbundled one or more elements of the service provided by the utility.

Neb. Rev. Stat. § 66-1855.

The Commission seeks to explore less costly and more efficient alternative rate design options for ratepayers similar to the Waiver Customers. The Commission approved the settlement agreement between the Public Advocate and Kinder Morgan in Docket No. NG-0023.1 with the expectation that Kinder Morgan would make a good faith effort to participate in this investigation and explore reasonable options to serve these ratepayers.

Issues to be explored include but are not limited to:

1. Whether the Commission has the requisite jurisdiction to require an alternative rate design;
2. Characteristics common to small and mid-size commercial and industrial whose natural gas consumption does not meet the statutory minimum for "high-volume ratepayers";
3. Possible alternate rate designs for said ratepayers;

4. Technical issues related to implementation of alternate rate designs including but not limited to metering and flow control;
5. Costs associated with implementation of possible alternate rate designs for ratepayers; and
6. Any statutory or regulatory changes necessary for alternate rate designs.

The Commission requests written comment from all interested parties on issues related to alternate rate design options for certain commercial and industrial ratepayers in Nebraska **on or before August 26, 2005, at 5:00 p.m.** All parties filing comments should file one original, five paper copies and one electronic copy in MS Word format.

Any necessary workshops or public hearings will be scheduled for dates to be determined to allow all interested parties an opportunity to address the issues outlined herein.

O R D E R

IT IS THEREFORE ORDERED by the Nebraska Public Service Commission that the above-captioned docket be, and it is hereby, opened to investigate alternative rate design options for certain commercial and industrial ratepayers.

IT IS FURTHER ORDERED that interested parties submit written comments on the issues outlined herein on or before **5:00 p.m. on August 26, 2005.** All parties submitting comments should provide one original and five paper copies and one electronic copy in a MS Word format on a disk/CD or sent via email to angela.melton@psc.ne.gov and rose.price@psc.ne.gov.

MADE AND ENTERED at Lincoln, Nebraska, this 21st day of June, 2005.

NEBRASKA PUBLIC SERVICE COMMISSION

COMMISSIONERS CONCURRING:

Chairman

ATTEST:

Executive Director